



SANTA ROSA COUNTY BOARD OF COMMISSIONERS OFFICE OF MANAGEMENT & BUDGET



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MEMORANDUM

TO: Board of Commissioners

FROM: Hunter Walker, County Administrator

DATE: July 15, 2008

SUBJECT: FY 2008-2009 Santa Rosa County Recommended Budget

Pursuant to the applicable Florida Statutes, transmitted herein is the recommended Santa Rosa County Budget for fiscal year 2008-2009. This proposed budget represents the general operating framework for provision of all county services for the forthcoming year and is the County Administrator's proposed plan of implementation and recommended levels of service.

The purpose of this memorandum is to provide the Board with a broad overview of the coming fiscal year proposed budget by highlighting areas of change or impact. To that end, not every fund or expense category will be addressed, but can and should be dealt with in considerably more detail during subsequent budget workshops. Following are those issues or initiatives of significant change or impact.

BUDGET OVERVIEW

For the second consecutive year the proposed Santa Rosa County operating and total budgets were lower by comparison to the previous year budgets. The operating budget, which consists of the General Fund, the Road/Bridge Fund, and the Fine/Forfeiture Fund, is 4.33% less in the proposed FY08-09 Budget than the FY07-08 Budget, resulting in a reduction of \$3,524,546 in revenue from the current year. The primary reason for this consecutive year, unprecedented reduction in revenue is the culmination of property tax reform/reduction efforts enacted by the State Legislature and reduction in ½ cent sales tax distributed annually to the County from the State.

The total budget, which includes the operating budget and the proprietary/enterprise funds and inter-fund transfer accounts is estimated at \$110,685,806 which represents a 4.36% reduction from the FY07-08 total budget of \$115,735,440.

Despite its two-year actions of reducing the revenue capabilities of the sixty-seven Florida counties, the State Legislature simultaneously increased expenditures or mandated expenditures which the same counties cannot avoid or reduce. The most egregious of these unfunded mandates is the State of Florida charging all counties for housing non-adjudicated juveniles in Florida Department of Juvenile Justice (DJJ) facilities at per diem rate of \$184.41 per day per juvenile. By comparison, the Santa Rosa County Sheriff charges Federal government \$49.00 per day to house Federal prisoners. The cost to Santa Rosa County for this inefficient state operation will approach \$750,000 in FY-07-08 and will no doubt be higher in FY08-09 because the State has no incentive to economize since the cost, whatever it is, is passed along to counties.

Another specific mandate impacting this proposed budget is the requirement for Supervisor of Elections to replace elections equipment which currently functions accurately and effectively with unnecessary replacement equipment at an estimated cost of \$354,000. Additionally, the Department of Revenue is requiring aerial photography of the county at an estimated cost of \$139,185. These mandated expenditures have been included in the proposed budget.

These mandates outlined above total in excess of \$1.0 million in expenditures which County has no recourse but to fund. A continued recitation of the State required mandates would be endless, impacting the County budget by millions of dollars from providing buildings, computers, and telephones for Public Defender, State Attorney, the State and Circuit Courts, and on ad infinitum.

To summarize, in two consecutive years the proposed total and operating budgets of Santa Rosa County have been reduced nearly 5% annually in the face of State of Florida mandates which increased by over \$1.0 million annually. The specific reductions in revenue and the corresponding reduction of expenditures by the Constitutional Officers and the offices and functions responsible to the Board of Commissioners will be highlighted in the following portion of this message.

REVENUE

Historically Santa Rosa County has been able to hold the millage rate constant from year to year which allowed growth and inflation to fund

the increasing cost of providing government services. These increases included merit pay adjustments for employees; additional employees required by growth and service enhancements; and the standard annual inflation of the cost of doing business such as fuel, supplies, utilities, etc. As noted above, this changed over the past two budget years.

Ad Valorem (Property Tax) Revenue:

The current FY07-08 budget, reflected the impact of House Bill (HB) 1B which statutorily rolled back property tax rates levied by counties, municipalities, and special districts and capped them on going forward basis reflecting a lower millage rate and ad valorem or property tax revenue.

The proposed FY08-09 Budget is impacted by the effects of Amendment One which provided (1) an additional \$25,000 in homestead exemption; (2) an additional \$25,000 exemption for Tangible Personal Property (TPP) for commercial/business properties; and (3) "portability" of "Save Our Home" differential for homes sold within the State of Florida. The effects of these Amendment One provisions was to lower taxable property values by \$883,990,473 which in turn reduced Ad Valorem Tax revenue by \$5,388,187, a 9.5% reduction from FY07-08 Budget to FY08-09 proposed budget.

Factoring into the ad valorem tax revenue computation is new construction or growth within Santa Rosa County from one year to the next, which has increased an average of 4.5% per year. The revenue generated by the taxable value of this new construction included in this proposed budget is \$1,475,395 which is a 2.6% increase from the previous year, or just over half the historic rate.

The final effect of property tax reform is the establishment of the millage rate included in the proposed FY08-09 Budget. HB 1-B passed by the Florida legislature in 2007 rolled back and capped the millage rate with the millage computation consisting of prior year (FY07-08) ad valorem revenue, adjusted for percent change in Florida personal income, plus new construction. In Santa Rosa County, if the statutory formula was utilized, it would yield millage of 6.9880, an increase over the current millage rate of 6.0953. Consistent with Board directive, the proposed millage computation was held to 6.0953, upon which the proposed FY08-09 Budget is built, reflecting 9.16% decrease below the rolled back rate of 6.7096 mills.

State Shared and Local Revenue:

Revenue shared with the sixty-seven (67) counties by the State of Florida is comprised by a number of revenue sources, the primary two of which are a ½ cent sales tax and a portion of fuel tax both collected by the Florida Department of Revenue. The proposed budget includes an anticipated reduction in these revenue sources totaling \$368,160. While this is a reduction, other counties have experienced considerably larger reductions, and it appears our relatively modest reduction is due to the increase in the commercial sector of our economy over the past several years with local of Home Depot, Lowe's, Publix, Target, etc.

The largest reduction in local revenue is building permitting and inspection fees which are directly attributable to the sluggish housing and construction market in Santa Rosa County and nationwide. The proposed budget includes \$1,500,000 in building permit/inspection fees, which is \$712,500 reduction from FY07-08.

The final local revenue is the Local Option Gas Tax which can only be used to fund road, bridge, and drainage improvements has been reduced by \$393,480 (9% reduction) reflecting reduced consumption locally.

EXPENDITURES

As noted earlier, the proposed/recommended FY08-09 Operating Budget reflects a total reduction of \$3,524,546 million compared to the current year (FY07-08). As outlined in the March 11, 2008 Pre-Budget Workshop, the staff approach in building the FY08-09 Budget included an in-depth review of each department, office, and function responsible to the Board of Commissioners through the County Administrator in an effort to align workload with workforce and to prioritize programs/initiatives equitably. Through this review, the Board of County Commissioners was able to reduce its budget by 8.02%. The Constitutional Officers including the Sheriff, Clerk of Courts, Supervisor of Elections, and Property Appraiser were requested to reduce budgets by three percent (3%) from current FY07-08 levels. The Tax Collector is only true fee based Office and will be reduced by fees collected on reduced revenue.

Board of Commissioners:

Santa Rosa County, like most general purpose or local governments, is a service organization with the most significant portion of its budget allocated for personnel costs. Thus, the most effective strategy in reducing expenditures is to reduce personnel positions and attendant costs including salary, health insurance, retirement, etc. For the past two (2) years, the Board of Commissioners has

positioned the County for the impacts of revenue reduction by enacting a freeze on hiring new employees. And subsequently by eliminating, thirty-four (34) of those full-time positions in the current (FY07-08) budget.

Overall, the offices, functions, and departments responsible to the Board of Commissioners through the County Administrator reduced expenditures by \$3,417,760 yielding an 8.02% reduction as a group which included the elimination of fifty-one (51) additional positions in the proposed FY08-09 Budget. Twenty-six (26) of these positions were directly attributable to workload reductions and realignment of workforce with workload. Twenty-five (25) of these positions were eliminated due to constraints caused by decreased revenue outlined above. In building this budget, the Directors and Department Heads have done an exceptional job in maximizing expenditure reductions and minimizing disruption in citizen or customer service. Therefore, over the two fiscal years, 2008 & 2009 the Board has eliminated eighty-five (85) positions, with Board staffing levels at pre-2004 levels.

Public Works: Within all the departments and functions of the Board of Commissioners, the Road and Bridge Department is the largest individual department in terms of funding and personnel. This department reduced its budget by 4.43%, exceeding \$530,000. Seven (7) positions were eliminated including a senior road foreman and equipment purchases and operational expenses were reduced. It must be noted that due to relatively large number of reductions last year, less was eliminated from proposed Road/Bridge Department budget. The Parks Department eliminated one (1) position and includes transfer of remaining utility expenses for operation of recreation facilities transferred to sports associations. Two (2) additional positions were eliminated from Building Maintenance Department.

Public Services: Nineteen (19) positions were eliminated in the Building Inspection and Compliance Department which are directly attributable to reduction in demand for services, i.e. building construction permits and inspections. As noted previously these reductions mirror similar reductions around the state and country as result of the nationwide housing/construction downturn. These positions were eliminated in a three phase reduction in force effort completed by September 30, 2008. Included in these reductions were building inspectors, permit technicians, and administrative personnel.

Four (4) positions were eliminated in Planning and Zoning Department principally by attrition and realignment. Programmatically, positions were eliminated in Neighborhood Traffic Management and Planner-on-Call functions allowing department to concentrate on core functions or business including developmental review, long-range planning and

comprehensive plan compliance. Of note, the Assistant Director position was vacated and ultimately eliminated.

The Emergency Communications and Emergency Management Departments eliminated two (2) positions and one (1) positioned transferred to E-911 Fund. Operational cost savings of over \$400,000 were realized due to capital improvements undertaken in previous budget years.

Finally, within the Public Services Directorate, the Animal Services Department eliminated one (1) vacant Animal Control Officer position.

Engineering Department: A number of the functions within this department are not included in General Fund which utilizes property tax revenue. The Navarre Beach Utility, the Solid Waste Department, Airport, and Industrial Park are enterprise or proprietary funds and are self-sufficient with revenue from user fees instead of ad valorem or property tax. The Engineering Department itself is included in General Fund, and two (2) positions have been eliminated in proposed budget, including an Engineer III and Survey Technician, yielding savings of \$175,220(15%). This is again linked to downturn specifically in development review process and is a part of aligning workforce with current workload. The demand for engineering services for design and project management services from internal departments, Road/Bridge, Administration, etc. have not been reduced and focus will be on utilizing in-house staff versus outside consulting firms.

OMB/Human Resources: A total of five (5) positions were eliminated among the Board of Commissioners Office, Procurement, Grants, Computer, and OMB Departments utilizing consolidation and realignment of administrative functions and operating costs netting savings in excess of \$ 215,540(7.4% reduction). Within the Human Resources, the Library Department eliminated two (2) positions through attrition and reduced operating expenditures. Service hours at the five (5) branch libraries will remain unchanged for FY08-09.

Court Services (County Probation) reduced its budget by three positions and \$84,570 in operating expenses and is slated to be revenue neutral to General Fund with probation/service fees meeting departmental expenditures.

While this memorandum is a broad overview and outlines the larger reductions effected by the Board departments in building the proposed budget, all operating expenses have been closely examined and areas such as travel/training, cell phone/blackberry usage, county-owned vehicle usage, etc. were reviewed and reduced. Funds have been included in the proposed budget to fund annual merit pay plan for county employees, which equates to 2.5% or 5.0% increase for productive employees.

The recommended FY07-08 Budget includes a ten percent (10%) reduction in funding to outside agencies which have historically been supported by the Santa Rosa County Board of Commissioners. This includes the County Health Department, Avalon Center, Early Learning Coalition of Santa Rosa County, Inc., RSVP of Santa Rosa County, Arts Council of Santa Rosa County, etc. While revenue reductions have significant negative impact on County's ability to fund these agencies, they provide critical services to our citizens and typically leverage State and Federal funds for number of services used by Santa Rosa County citizens.

The TEAM Santa Rosa Economic Development Council (EDC, Inc. serves as the public/private economic development organization for Santa Rosa County and as such is included in the proposed General Fund FY08-09 Budget in the amount of \$468,000. This is a 16.7% reduction from the current budget of \$561,545. This budget consists of operating expenses of \$390,000 and special projects of \$78,000. Special projects include Economic Impact Analysis by the Haas Center, Industry Appreciation Week events, and industry marketing plans, etc.

Service Enhancements

To this point, the focus of the proposed/recommended budget message has been on reduction, retrenchment, and right-sizing; however, there is the need for service enhancements, even during austerity. For example, the current year, (FY07-08 Budget) included the implementation of the fire/rescue services master plan as crafted and recommended by the Emergency Management Department and the Santa Rosa County Firefighters Association and the County Emergency Services Advisory Committee as a service enhancement.

There are few service enhancements or expansions during periods of retrenchment, but included in the proposed FY08-09 Budget is a service enhancement which began in the aftermath of Hurricanes Ivan and Dennis. A number of years ago, Santa Rosa County leased the eastern portion of Navarre Beach to the State of Florida for development and operation of the Navarre Beach State Park. This state park was completed and opened in June, 2004 and destroyed by Hurricane Ivan in September, 2004. Ultimately it was agreed by the County and State of Florida is that the State would rebuild/restore the facility to pre-Ivan status and upon completion of the restoration, the State would convey to County for operational responsibility.

The restoration of this facility is scheduled for completion shortly after October 1, 2008 and will require four (4) additional seasonal lifeguard positions; three (3) seasonal beach maintenance/cleaning positions, and one (1) full-time maintenance position. The maintenance cleaning positions are required for beach sweeping, parking lot sweeping/cleanup and daily restroom maintenance/cleaning.

Once the Navarre Beach fishing pier is rebuilt, this area may be attractive enough to solicit concession proposal(s) to offset these costs, however at this time that seems impractical.

The other service expansion is that effective October 1, 2008 Santa Rosa County will provide animal services within the corporate limits of the City of Gulf Breeze upon request of the City Council. Those services will be provided without additional personnel for that department.

Constitutional Officers

Supervisor of Elections:

This office/function probably proportionately has more State and Federal mandates/requirements than any other. Understandably, the State and Federal governments have interest in assuring the integrity and accuracy of elections and in providing citizens opportunity and access to polling places. However, the seemingly endless changes in ballot format, elections hardware/software, etc. are expensive and directly impact the Santa Rosa County general fund. The proposed budget includes an additional \$431,875 directly attributable to these requirements. Absent these requirements, the Supervisor had reduced budget by targeted three percent (3%) from prior year.

Property Appraiser:

The Property Appraiser followed last year's 9.6% decrease with an additional for \$47,478 for the proposed FY08-09 Budget. This reduction was masked by an overall increase in health insurance and the inclusion of the annual merit pay increase for all county employees and added back by the County Administrator. This office met the targeted reduction in the face of on-going requirements by the Florida Department of Revenue which mandates how the P.A. Office operates.

Sheriff:

The Sheriff Office proposed FY08-09 budget is \$30,460,220, which is \$488,010 less than the current FY07-08 Budget. The Sheriff reduced his budget by twenty-seven positions, however, operating expenses such as fuel have been significantly increased as would be expected. Each facet of the Sheriff Office, court security, corrections, and law enforcement is impacted by State and Federal mandates. The only area of which the Sheriff has any discretion in his expenditures is law enforcement. Court security and corrections have specific requirements and criteria which require resources/funding. This office also met the targeted reduction with the addition of health insurance and annual merit increases to his request.

Even in law enforcement the Sheriff is confronted with mandates. For example, he attempted to reduce budget by \$151,334 by eliminating four (4) non-sworn personnel who served civil process papers; however, according to Florida Statute they must be served without charge for State Attorney and Public Defender. Thus to eliminate that division would require sworn on duty officers to serve papers instead of conducting patrol and responding to calls for law enforcement.

Summary

As always, this proposed or recommended budget is a work in progress. Budget workshops have been scheduled for the Board to review in detail the proposed budget and ensure that the programs, initiatives, and funding levels are congruent with its goals, objectives, and policies. These will be even more important than usual given that the proposed budget includes substantial and substantive reductions which may or may not be aligned with Board priorities or policies.

This year more than ever, I am deeply grateful to the Constitutional Officers, their staff members, the County Department Directors and Department Heads, and the Director of the Office of Management and Budget for the efforts and assistance. Difficult decisions were made and I am most appreciative of the cooperation and assistance by all involved.